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VIETNAM: Heavy fighting is taking place on three sides of Quang Tri City as the Communists continue to stiffen their resistance to the government's drive.

Tank-led infantry assaults have been directed against South Vietnamese Marines north and east of the city and against airborne troops to the south. The Communists are also continuing to subject airborne positions to shellings, while harassing marine units with brief but intense ground attacks.

The Communists are maintaining pressure against government positions southwest of Hue with heavy shelling and ground probes. Outpost Checkmate, re-captured by government troops on 12 July, was struck by more than 200 mortar rounds. Hue City was shelled on 13 July, and farther south, government bases at Da Nang were attacked by rockets.

In the delta, fighting has eased somewhat, although the Communists remain active in southern Chuong Thien Province, where the capital of Kien Long District and three government outposts were attacked yesterday. Several outposts in Vinh Long Province have also been hit. Fighting around the threatened district of Long Dinh in Dinh Tuong Province has ended, following the arrival of government reinforcements.

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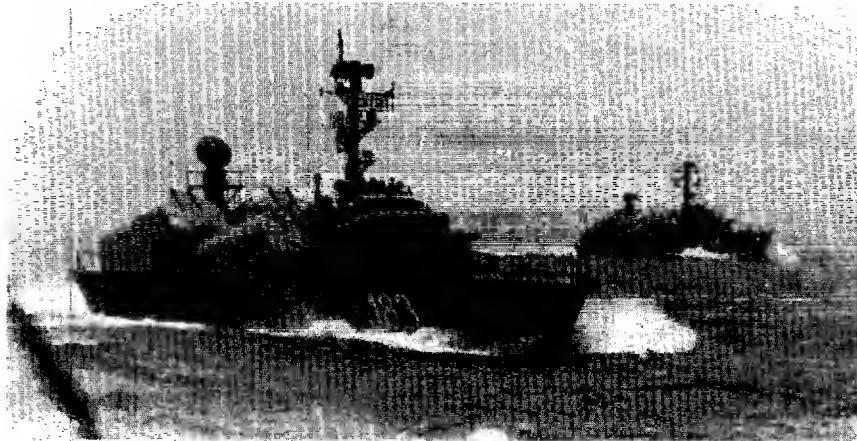
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**Osa Class***Production*

First unit operational	1959
Number active	127

Characteristics

Complement	25
Length	128 feet
Beam	24.9 feet
Draft	5 feet
Displacement	215 tons
Maximum speed	34 knots

Armament

Missiles	4 single SS-N-2 launchers or 4 SS-N-11 launchers
Guns	2 twin 30mm AA mounts

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IRAO-USSR: Baghdad has received its first patrol boat armed with surface-to-surface missiles. A Soviet freighter, with one OSA-class guided missile patrol boat on deck, was observed entering an Iraqi port last week. In addition, two other Soviet freighters, each carrying an OSA, appear to be en route to Basra.

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The Shah of Iran will view Iraq's possession of these boats as a threat to his country's position in the Persian Gulf. In the past he expressed alarm over reports that Iraq might receive the smaller Komar-class boats, which are armed with two Styx missiles in contrast to the Osa's four. Iran is scheduled to receive two British frigates equipped with the shorter range Seakiller missiles this month, and two more by early 1973. Tehran reportedly also plans to equip its hovercraft boats with surface-to-surface missiles, and will press for additional modern naval weapons.

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YUGOSLAVIA: Rato Dugonic, a 56-year-old Serb from Bosnia and Hercegovina, was chosen yesterday to succeed Krste Crvenkovski as the vice-president.

Experienced in both foreign and internal affairs, and a party member since 1937, Dugonic will take office on 1 August for one year. Hamdija Pozderac, a Bosnian Muslim, apparently had been in line for this position. The decision not to select Pozderac may stem from a desire to keep the nationalities in top government jobs in balance, since Premier Bijedic is also a Bosnian Muslim. In addition, there are recent reports that Pozderac is having problems with an old head injury.

The constitution provides that the vice-president be elected for a one-year term on a rotating basis from among the members of the collective presidency--three from each republic and two each from the provinces of Vojvodina and Kosovo. The position is important in the governmental structure because the incumbent automatically takes over as a caretaker president if Tito resigns or dies.

By virtue of his post, the caretaker will play an important role in post-succession politics, but he will not dominate the collective presidency. Presidents after Tito will be elected by the collective presidency for a one-year term according to the rotational system. Tito's title of president-for-life is a specific constitutional exception that future leaders are unlikely to achieve.

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LIBYA: Head of State Qadhafi's continued absence from public view provides further evidence that Libya's collective leadership is in the midst of a crisis.

Qadhafi has not been seen in public since he returned late last month from his meeting with his Arab confederation partners, Presidents Sadat and Asad, deeply disillusioned by the lack of any decisions to end the no war, no peace stalemate in the Middle East. His frustrations evidently were vented in dealings with members of the Revolutionary Command Council (RCC), where tensions have been building since early this month. Qadhafi reportedly quarreled with Economic Minister Major Jallud, a key RCC member, over the formation of a new cabinet and threatened to give up his chairmanship of the RCC and his governmental posts. The temperamental Libyan leader in the past has frequently sulked in seclusion, but the absence of his signature on RCC decrees since 1 July and heavy patrols around RCC headquarters have increased speculation that a serious split has developed in the council. Since Qadhafi's disappearance, the only important official announcement from the RCC was a decree charging Major Jallud with the formation of a new cabinet, although no appointments to the new government have been announced.

Rumors concerning problems within the RCC conflict in detail, but Qadhafi's impetuous decisions and overbearing attitude apparently have aroused opposition among his colleagues. Some council members also oppose their leader's tendency to subordinate domestic interests to pan-Arab goals. They are particularly upset over his liberal assistance to Egypt and their powerful neighbor's growing presence and influence in Libya.

(continued)

Throughout the stormy history of Libya's collegial leadership, RCC members have insisted that Qadhafi remain their leader. Dissension has continued, however, and although the RCC has survived ordeals similar to the present one, Qadhafi's frequent tantrums must be pushing the limits of his colleagues' tolerance.

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INTERNATIONAL MONETARY DEVELOPMENTS: The dollar has come under heavy pressure on European money markets again as speculation mounts that other currencies besides sterling may be floated to prevent further dollar inflows.

The West German, Swiss, and Dutch central banks yesterday reportedly purchased upwards of \$750 million to prevent the dollar from slipping below internationally agreed levels. Switzerland is considered a strong candidate to float its franc upward because stringent capital control measures have failed to halt heavy dollar inflows. The Swiss Central Bank director, however, denied any such intentions after the close of trading yesterday. West Germany, which has added further capital controls, apparently is considering additional measures to avoid a float.

The pound strengthened yesterday, reflecting, in part, higher British interest rates and an increased demand for oil royalty payments in sterling. Moreover, Britain's trade balance showed a surplus in June for the first time this year. The \$37-million surplus probably will further ease pressures on sterling. [redacted]

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NOTES

MALTA-UK: Prime Minister Mintoff will visit London on 27-28 July for talks with Prime Minister Heath and the foreign and defense secretaries. The visit was arranged at Mintoff's request. Discussion will cover questions relating to policy in the Mediterranean, implementation of the UK-Malta accord, and bilateral matters outside the scope of the defense agreement. On bilateral questions, Mintoff will seek concessions on money-related matters such as repayment of loans granted under the 1964 UK-Malta agreement, technical assistance, and a guarantee against devaluation. The British will not yield to Malta's full demands, but they may be willing to make modest concessions in hopes of forestalling any capricious Mintoff behavior.

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IRAN: The Shah has promoted, shifted, or removed 75 local governors, half the country's total, in an action that represents the largest local government shake-up in a decade. Most of the new governors are university graduates who will replace older, less educated officials who obtained their positions through personal influence. The shake-up, which should proceed smoothly, represents the Shah's latest step in decentralizing his top-heavy bureaucracy and improving the provincial administration.

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